statesman.com
FINANCE

Wall Street firms cut 34,000 jobs, most since 2001 dotcom bust

There has been a filtering down effect, some say.

By Yalman Onaran BLOOMBERG NEWS Tuesday, March 25, 2008

NEW YORK — Wall Street banks hit by mortgage losses and writedowns have cut more than 34,000 jobs in the past nine months, the most since the dot-com boom fizzled in 2001. Citigroup Inc., Lehman Brothers Holdings Inc. and Morgan Stanley are among the firms that have announced job cuts. After the Internet bubble burst, 39,800 jobs were eliminated during the same period; the number climbed to 90,000 in the next two years, according to the Securities Industry and Financial Markets Association.

The collapse of the subprime mortgage market last year and the ensuing credit contraction have saddled the world's largest financial institutions with at least $200 billion of writedowns and losses. Bear Stearns Cos., once the fifth-biggest U.S. securities firm, became the emblem of panic on Wall Street two weeks ago when it was forced to submit to an emergency takeover backed by the Federal Reserve as clients and lenders deserted the company.

More bank losses are likely, according to analysts. "This crisis is much worse than 2001, and we don't know how long it's going to last," said Jo Bennett, a partner at executive search firm Battalia Winston International in New York. Job cuts "could be more than 100,000 in a few years."

Securities firms started eliminating positions in mortgage departments as early as July. Between July and December, almost 17,000 jobs were lost, according to data compiled by Bloomberg. Lehman's home-loan unit, BNC Mortgage LLC, employed 1,600 people before the firm closed it down in August. Mortgage lender First Franklin Financial had 2,300 employees when it was acquired by Merrill Lynch & Co. in January 2007. Merrill shut the business this month.

All told, at least 100 mortgage companies have suspended operations, closed or have been sold since the start of 2007. This year, banks including Lehman, Citigroup and Morgan Stanley have been winnowing out employees in fixed income trading, securitization, asset management and investment banking. Administrative and technology staff have also been let go. Citigroup has eliminated 1.7 percent of its work force, and Lehman has chopped 18 percent. Morgan Stanley has cut 6.2 percent, and Merrill has eliminated 4.5 percent.

Though JPMorgan hasn't said how many Bear Stearns employees may lose their jobs as a result of the recently announced acquisition, half of the 14,000 people at the company may be let go, said Jeanne Branthover, a managing director at Boyden Global Executive Search in New York. The two firms have overlapping businesses, and JPMorgan, the third-largest U.S. bank by assets, may shut down some Bear Stearns units, she said.

Goldman said in January that it may fire 1,500 people to weed out underperformers. On March 18, Chief Financial Officer David Viniar said the number of employees was unchanged during the first quarter and might grow in the "low to mid-single digits" this year, mostly because of hiring outside the U.S. Some firms haven't fully disclosed their job cuts because they don't want to appear financially weak, Battalia Winston's Bennett said. "They're all dribbling people out the door, so the numbers don't show the true extent of the problem yet," Bennett said.

Merrill, which didn't announce job reductions last year, said March 5 that 70 percent of the staff at its First Franklin mortgage unit had been eliminated since July. The bursting of what Glenn Reynolds of CreditSights Inc. has called the "securitization bubble" also is affecting other industries. Lawyers who helped create mortgage-backed bonds, Realtors who sold more houses as home ownership in the U.S. rose and mortgage brokers who found new customers as lending standards were relaxed are now looking for work, Branthover, said. "This is filtering down to the vendor," she said. "The firms Wall Street was using are also feeling the pain."

Senior Wall Street executives haven't escaped unscathed. Six chief executives, eight presidents or other officers and at least 19 division heads have lost their jobs as a result of the subprime meltdown. Citigroup CEO Charles Prince, Merrill CEO Stan O'Neal, Bear Stearns CEO James Cayne and UBS AG CEO Peter Wuffli were the highest-ranking casualties.

Compared with the fallout after public markets slammed shut on speculative Internet companies in 2001, more high-level Wall Street executives are losing jobs in the current crisis, according to Gustavo Dolfino, president of New York-based executive search firm Whiterock Group LLC.

When the dot-com boom ended, the people who lost jobs were predominantly rank and file, Dolfino said. "Clearly there's a trend to make people pay," Dolfino said. "Firms have also been moving lower-ranked staff from the U.S. to Asia, where they need more hands. Top people don't want to move as easily."

Affects on Wall Street
Jobs eliminated by the biggest banks and securities. The figures are based on company disclosures.

Firm Positions cut

Citigroup 6,200
Lehman Brothers 4,990
Bank of America 3,650
Morgan Stanley 2,940
Washington Mutual 2,600
Merrill Lynch 2,220
HSBC 1,650
Bear Stearns 1,550
WestLB 1,530
Firm Positions cut
UBS 1,500
Goldman Sachs 1,500*
National City 900
Credit Suisse 820
Royal Bank of Canada 500
Fortis 500
Wells Fargo 500
Wachovia 443
Deutsche Bank 370
JPMorgan Chase 100

TOTAL 34,463* Goldman Sachs said Jan. 25 that its job cuts